Document No. 5207

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ADOPTED

MEMORANDUM JULY 27, 1989

TO: BOSTON REDEVELOPMENT AUTHORITY AND
STEPHEN COYLE, DIRECTOR

FROM: ANTHONY WILLIAMS, ASSISTANT DIRECTOR FOR
NEIGHBORHOOD HOUSING AND DEVELOPMENT
THOMAS O'MALLEY, DIRECTOR FOR SOUTH END PLANNING
AND DEVELOPMENT

SUBJECT: REQUEST PERMISSION FOR THE DIRECTOR TO ACT AS AN AGENT FOR THE NEIGHBORHOOD HOUSING TRUST TO NEGOTIATE TWO LOANS USING CERTAIN DEVELOPMENT IMPACT PROJECT ("DIP") AGREEMENTS AS COLLATERAL AND TO ESTABLISH SEVERAL ESCROW ACCOUNTS TO GUARANTEE THESE LOANS

EXECUTIVE SUMMARY: PERMISSION IS SOUGHT FOR THE DIRECTOR (ACTING AS AGENT FOR THE NEIGHBORHOOD HOUSING TRUST) TO NEGOTIATE LOANS WITH THE METROPOLITAN LIFE INSURANCE COMPANY AND THE PRUDENTIAL INSURANCE COMPANY OF AMERICA USING TEN NEGOTIATED DIP AGREEMENTS AS COLLATERAL TO PROVIDE THE NEIGHBORHOOD HOUSING TRUST WITH CASH FOR THE BENEFIT OF CURRENT AND FUTURE AFFORDABLE HOUSING PROJECTS. AUTHORIZATION IS FURTHER SOUGHT TO ESTABLISH VARIOUS ESCROW ACCOUNTS TOTALLING $2,181,850 TO SECURE THE DIP OBLIGATIONS.

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1. INTRODUCTION

The Boston Redevelopment Authority (BRA), the Neighborhood Housing Trust ("the Trust"), and the City of Boston's Public Facilities Department (PFD) have examined the issues inherent in using Development Impact Project Exaction (DIP) agreements to provide cash for affordable housing developments since the inception of the City's Linkage Program. The proposal before you today achieves a breakthrough which will not only allow affordable housing projects to receive the cash they need, but should serve as a model for similar negotiations both locally and nationally.

2. HISTORY

Since the implementation of Article 26 of the Zoning Code, the Authority has been involved in the execution and implementation of DIP agreements. These DIP agreements run between the downtown contributing developers and the BRA, on behalf of the City. Pursuant to the Housing Creation process, the BRA has in turn

voted some of the DIP agreements and their associated payment streams to affordable housing projects. The recipient developers, both non-profit and for-profit, utilize these streams of payments to fill financial shortfalls in their projects.

This linkage program has been a tremendous success, receiving both national and international attention as a successful example of public-private partnerships stepping in where the federal government has withdrawn from the housing arena. More than 2305 units, 1831 (79 percent) affordable, have received linkage funds from this program since 1984, enabling the projects to secure their financing and begin construction.

In the process of utilizing the DIP streams, BRA and PFD staffs have worked closely with recipient developers with front-end capital contribution needs in an attempt to discount the linkage payment streams into present-value cash. Initially, these attempts were made on a project-by-project basis. This fact, coupled with the fact that local banks charged a very high price to cash out DIP agreements, made efforts time-consuming and not at all cost-efficient.

A revised approach, taken over the last nine months, has been to "bundle" the DIP agreements presently committed to Housing Creation projects and find a single discounting source, resulting in a lower discount rate. Since January of this year, BRA staff, together with other departments in City government, have been working with a number of sources to find the best and most cost-effective manner of making funds available now for "pipeline" projects.

Staff have a explored a wide variety of options for discounting the DIP agreements through negotiations with a host of public and private entities.

A national foundation with a local office sought terms that included over-collateralization of the loan in addition to the establishment of certain escrow accounts. Furthermore, the offered interest rates were not favorable. Given that this was a non-profit foundation with intimate knowledge of Boston's housing production programs, these terms were unacceptable.

Approaches to the Massachusetts Housing Finance Agency (MHFA) were well-received but unproductive because the proposed contract security was something different than real estate and mortgage lien security with which MHFA is familiar. These discussions became overly complicated with the introduction of bond underwriters and legal counsel. This approach would have lead to floating bonds backed by linkage obligations. The market's unfamiliarity with these bonds would not have yielded a favorable interest rate. Additionally, the cost of issuance would have been high, further reducing bond proceeds.

Finally, local banks were approached with the concept of purchasing DIP agreements. The bankers' response was cool -- several noted that they are not building Downtown developments and in most cases are not financing them. Why, they asked, should they take the high risk of financing unsecured Linkage obligations? Important lessons were learned from these various negotiations. Furthermore, staff continued to seek partners who understand the commitment to affordable housing production shared by the City, the Trust, and the BRA.

3. PROPOSALS

Two insurance companies have recently come forward to negotiate loans to the Neighborhood Housing Trust, using the DIP agreements as collateral, and certain other negotiated terms and conditions.

A. The Metropolitan Life Insurance Company ("Met Life") has offered to loan cash against the present pool of DIP agreements already voted to specific housing creation proposals. This consists of eight DIP agreements valued at $14.65 million committed to 669 units of which 458 (68 percent) are affordable (see Attachment A). The business terms are as follows:

- The BRA will establish an escrow account in the amount of $1,371,434, representing one year of debt service to guarantee against possible default of payments;
- The BRA will establish a $250,000 general litigation reserve escrow account to demonstrate the BRA's ability to pursue legal action in the event of constitutional or other challenges to the Linkage Program itself;
- The BRA will establish an escrow account in the amount of $50,000 specifically reserved for enforcing payment by a defaulting contributor under the Linkage Program;
- Appropriate DIP obligations will be assigned to Met Life;
- The BRA will assign any appropriate existing letters of credit to Met Life; and
- The Director will execute, for the BRA, an appropriate commitment to affirmatively enforce DIP agreements in event of default.

The effective discount rate as indicated in the attached cash flow chart (see Attachment B) is 8.65 percent. Met Life will make $7,931,321 available in cash. The cash on hand from previous payments made totals $2,968,892, and therefore the total cash available for the present pool of affordable housing would be $10,900,213. A proposed closing could be as soon as October 1, 1989.

B. **The Prudential Insurance Company of America** ("Prudential") has offered to loan cash against two DIP agreements valued at $5.275 million (see attachment C). This is made possible by the success of the Met Life negotiations, and would provide the Trust with ready cash to support those affordable housing projects which will come forward seeking support during 1989. The business terms are as follows:

- The BRA will establish an escrow account in the amount of $460,416, representing one year of debt service to guarantee against possible default of payments;

- The BRA will establish a $250,000 general litigation reserve escrow account to demonstrate the BRA's ability to pursue legal action in the event of constitutional or other challenges to the Linkage Program itself (this is the same escrow account described under the terms of the agreement with Met Life described above -- the same $250,000 will cover both agreements);

- The BRA will establish an escrow account in the amount of $50,000 specifically reserved for enforcing payment by a defaulting contributor under the Linkage Program (this is a separate account, distinct from the $50,000 escrow account established under the terms of the Met Life agreement described above);

- Appropriate DIP obligations will be assigned to Prudential;

- The BRA will assign any appropriate existing letters of credit to Prudential; and

- The Director will execute, for the BRA, an appropriate commitment to affirmatively enforce DIP agreements in event of default.

The cash to be made available is $3.226 million, and the effective discount rate is 8.65 percent. One payment of $250,000 has been already made for the 75 State Street development, yielding an effective total cash pool of $3,476,000 for the Trust. The proposed closing could be as soon as September 1, 1989.

On July 27, 1989, the Neighborhood Housing Trust recommended that the BRA act as an agent for the Trust in negotiating loans to the Trust from Met Life and Prudential as outlined in the above memorandum (see Attachment 2).

An appropriate vote follows:

VOTED: That the Director be and hereby is authorized to take the necessary steps, acting as an agent for the Neighborhood Housing Trust, to finalize loans with the Metropolitan Life Insurance Company ("Met Life") and the Prudential Insurance Company of America ("Prudential") using several Development Impact Project Exaction (DIP) agreements as collateral, and is further authorized to execute whatever documents are necessary to effectuate the closing; and, provided further, that the Authority hereby agrees to establish the five escrow reserve accounts totalling not more than $2,181,850 described in "Attachment 1" for the purpose of securing and guaranteeing the purchase or utilization of said DIP agreements, said escrow accounts to include such provisions as the Director deems appropriate and in the best interest of the Authority.

ATTACHMENT 1

PROPOSED ESCROW ACCOUNTS

Account 1

$1,371,500 This account is designed to secure the purchase or utilization of linkage payments committed to affordable housing production through the Housing Creation Process by the Metropolitan Life Insurance Company, and represents the value of one year's debt service on collateral DIP agreements.

Account 2

$460,500 This account is designed to secure the purchase or utilization of linkage payments committed to affordable housing production through the Housing Creation Process by the Prudential Insurance Company of America, and represents the value of one year's debt service on collateral DIP agreements.

Account 3

$250,000 This account is intended to serve as a Litigation Reserve Fund for the express purpose of demonstrating the BRA's ability to pursue legal action in the event of constitutional or other challenges to the Linkage Program itself.

Account 4

$50,000 This escrow account is specifically reserved for enforcing payment by a defaulting contributor under the Linkage Program under terms negotiated with the Metropolitan Life Insurance Company.

Account 5

$50,000 This escrow account is specifically reserved for enforcing payment by a defaulting contributor under the Linkage Program under terms negotiated with the Prudential Insurance Company of America.

$2,181,850 **TOTAL**

ATTACHMENT 2

VOTE OF THE NEIGHBORHOOD HOUSING TRUST

Approved at a Meeting of the Neighborhood Housing Trust

Thursday, July 27, 1989

VOTED: That the Neighborhood Housing Trust ("Trust") is authorized to recommend that the Boston Redevelopment Authority ("Authority") act as agent for the Trust for the purpose of negotiating loans to the Trust from the **Metropolitan Life Insurance Company** and **Prudential Insurance Company of America,** (together, the "Investors"), as outlined in the above memorandum plus attachments. The Trust is further authorized to recommend that the Authority take the necessary votes to fund the escrow accounts which will act as security for said Investors in the DIP Agreements, and additionally authorizes any minor modifications of said proposals as are necessary to complete and close the loan transactions.

AND FURTHER VOTED:

That in accordance with the Trust policy and practice of including within all Housing Creation votes a proviso which allows for such minor amendments to the Housing Creation proposals as may be necessary to implement said affordable housing project, the Neighborhood Housing Trust recommends that the relevant Housing creation votes be amended in accordance with the attached Schedule A. Any remaining uncommitted funds shall revert to the Trust.

Passed unanimously 7/27/89.

Attested to on behalf of the
Neighborhood Housing Trust

Lawrence Dwyer

Lawrence Dwyer, Chair

SCHEDULE A

USE OF METROPOLITAN LIFE FUNDS

PROJECTS	ORIGINAL PV COMMITTMENT	TOTAL PV GAP FUNDS NEEDED THIS DATE
Lithgow	$ 850,000	$ 1,100,000
Brooks	1,351,770	1,246,000
SWC	150,000	-
Old Boston	300,000	284,000
Operation Food	150,000	150,000
Langham Ct.	1,313,000	2,308,000
Parmelee	815,000	1,057,000
Dacia	615,000	949,100
IBA	500,000	650,000
Lorne	975,000	975,000
Lower Roxbury	350,000	400,000
O'Rielly School	305,000	305,000
Charlestown (four projects)	1,375,800	1,475,800
	9,055,570	10,899,100

1) Available from Met Life Loan and cash on hand $10,900,213.

2) Amount needed $10,899,100.

TOdmr1.1

Lawrence Dwyer
7/27/89

73449.60520 421 4125/b
7/21/89 2:00 p.m.

Exhibit B
Cash Needs Schedule for Linkage Loan

Percentage of Loan Proceeds	Payment Date
15%	September 1, 1989
15%	December 1, 1989
30%	April 1, 1990
40%	June 1, 1990

Payment dates may be modified by BRA.

OVERVIEW OF DEVELOPMENT PROJECT (DIP) AGREEMENTS
OBLIGATED TO THE HOUSING CREATION PROCESS
7/24/89

DEVELOPMENT NAME	DEVELOPER	TERM	PAYMENT DATE	DIP EXACTION	YEARLY PAYMENT	LETTER OF CREDIT	PAYMENTS MADE	PAYMENTS REMAINING	LINKED HOUSING
101 ARCH STREET	Lincoln Franklin Place, Ltd.	12	3/23	$1,479,885	$123,324	Yes	2	10	Lithgow
125 HIGH STREET*	Prospect, N.E. Tel. Spaulding & Sly	7	7/8	$1,616,925	$230,989	No	1	6	Brooks School
73 TREMONT STREET	Unicorp American, Inc.	7	4/7	$912,500	$130,357	Yes	2	5	SWC II Old Boston Operation Food
500 BOYLSTON STREET	N.E. Mutual Life Gerald D. Hines Interests	12	1/10	$2,974,610	$247,884	No	2	5	Langham Court Parmelee Court
150 FEDERAL STREET	Federal Development, Inc.	12	1/10	$2,185,000	$182,083	No	2	10	Dacia, IBA
75-101 FEDERAL STREET	Franklin Federal Partners	12	3/18	$2,325,000	$193,750	No	2	10	Lorne Street Lower Roxbury Tenants'Coop
HERITAGE-ON-THE GARDEN	Druker Company	12	3/25	$445,000	$37,083	No	2	10	O'Reilly School
CNY #149	Navy Yard Biotechinical Research Associates Ltd.	12	7/31	$2,711,805	$225,984	Yes	3	9	Charlestown Pipeline (four projects)
TOTALS									
8 Agreements				$14,650,725	$1,371,454				16 Housing Projects
	Total funds paid to date:				$2,968,892				
	TOTAL Remaining Payments:				$11,681,833				

*125 HIGH STREET original DIP exaction was $6,376,925. Of that, $4,760,000 was voted to the Granite Properties in 1987, a 938 unit development for which the financing is completed.

LINKAGE UPDATE - JULY 19, 1989
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HOUSING CREATION STATUS REPORT
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The following affordable housing developments have received commitments of Linkage money through Housing Creation, and are seeking to make use of the Housing Creation funds:

HOUSING LINKAGE CONTRIBUTING PROJ.	AFFORDABLE HSG DEVELOPMENT	TOTAL # UNITS	# AFFORDABLE UNITS	TOTAL HSG LINKAGE/ NOMINAL VA
101 Arch St.	Lithgow Block (Rent)	31	16	$1,479,88
125 High St.	Brooks School (Coop)	56	47	$1,616,92
73 Tremont St.	Southwest Crossing/ Parcel SWC-2 (Condo)	12	6	$912,50
	Old Boston/6-24 E. Concord (Rent)	40	12	
	Operation Food/669 WalkHill (SRO)	10	10	
	Langham Court (Coop)	84	56	$2,974,61
500 Boylston St.	Parmalee Court (Rent))	74	49	
150 Federal St.	Dacia Group Housing (Condo)	29	29	$2,185,00
	IBA/ 640 Tremont (Condo)	27	18	
	Lorne Street Development (Coop)	60	39	$2,325,00
75-101 Federal St.	Lower Roxbury Tenants Coop (Coop)	70	51	
Heritage on the Garden	O'Reilly School (Rent)	32	32	$445,000
Bldg #149 CNY	Charlestown Navy Yard (Condo)			$2,711,805
	Bricklayers (Condo)	60	50	
	Gate 5 Assoc./P-2A (Condo)	42	22	
	CEDC/Vitello R-87 (Condo)	16	8	
	CEDC C-2 (Condo)	26	13	
TOTALS	16 Housing Developments	669	458	$14,650,725

TOTAL

	# Units	# AFDBL
Cooperative	270	193
Rental	177	109
Condominiums	212	146
SRO's	10	10
Total	669	458

DD

ATTACHMENT

LINKAGE CASH FLOW
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METROPOLITAN LIFE/ PRUDENTIAL
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DEVELOPMENT NAME	TERM	PMT DATE	DIP EXACTION	CASH IN HAND 1989	PMTS MADE	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	(NOMINAL) TOTAL
METROPOLITAN LIFE																			
101 ARCH ST	12	3/23	$1,479,885	$246,648	2	$0	$123,324	$123,324	$123,324	$123,324	$123,324	$123,324	$123,324	$123,324	$123,324	$123,321	$0	$0	$1,479,885
125 HIGH ST	7	7/8	$1,616,925	$461,978	2	$0	$230,989	$230,989	$230,989	$230,989	$230,991	$0	$0	$0	$0	$0	$0	$0	$1,616,925
73 TREMONT ST	7	4/7	$912,500	$260,714	2	$0	$130,357	$130,357	$130,357	$130,357	$130,358	$0	$0	$0	$0	$0	$0	$0	$912,500
500 BOYLSTON ST	12	1/10	$2,974,610	$495,768	2	$0	$247,884	$247,884	$247,884	$247,884	$247,884	$247,884	$247,884	$247,884	$247,884	$247,886	$0	$0	$2,974,610
150 FEDERAL ST	12	1/10	$2,185,000	$364,166	2	$0	$182,083	$182,083	$182,083	$182,083	$182,083	$182,083	$182,083	$182,083	$182,083	$182,087	$0	$0	$2,185,000
75-101 FEDERAL ST	12	3/18	$2,325,000	$387,500	2	$0	$193,750	$193,750	$193,750	$193,750	$193,750	$193,750	$193,750	$193,750	$193,750	$193,750	$0	$0	$2,325,000
HERITAGE-ON-THE GARDEN	12	3/25	$445,000	$74,166	2	$0	$37,083	$37,083	$37,083	$37,083	$37,083	$37,083	$37,083	$37,083	$37,083	$37,087	$0	$0	$445,000
CNY #149	12	7/31	$2,711,805	$677,952	3	$0	$225,984	$225,984	$225,984	$225,984	$225,984	$225,984	$225,984	$225,984	$225,984	$225,981	$0	$0	$2,711,805
PRUDENTIAL																			
75 STATE ST	12	10/1	$3,000,000	$250,000	1	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$0	$0	$3,000,000
222 BERKELEY ST	12	1/15	$2,525,000	$0	0	$0	$210,416	$210,416	$210,416	$210,416	$210,416	$210,416	$210,416	$210,416	$210,416	$210,416	$210,416	$210,424	$2,525,000
TOTAL: 10 AGREEMENTS			$20,175,725	$3,218,892		$250,000	$1,831,870	$1,831,870	$1,831,870	$1,831,870	$1,831,873	$1,470,524	$1,470,524	$1,470,524	$1,470,521	$1,244,547	$210,416	$210,424	$20,175,725

DEVELOPMENT IMPACT PROJECT AGREEMENTS FOR SALE TO PRUDENTIAL INSURANCE COMPANY

Development Name	Developer	Term	Payment Date	DIP Exaction	Yearly Payment	Letter of Credit	Payments Made	Payments Remaining
75 State Street	99 State Street Ltd Partnership	12	10/01/88	$3,000,000	$250,000	No	1	11
222 Berkeley Street Eastern Component	500 Boylston West Venture	12	1/15/90	$2,525,000	$210,416	No	0	12
	Total payments			$5,525,000				
	Remaining payments			$5,275,000				
	Aggregate annual payment				$460,416			

XP-4267/p

Metropolitan Life Insurance Company
One Financial Center 33rd Fl., Boston, MA 02111-2659
(617) 423-5656

Metropolitan Life℠
AND AFFILIATED COMPANIES

John F. Loehr
Regional Manager
Real Estate Investments

Mr. Thomas O'Malley
Boston Redevelopment Authority
One City Hall Square
Boston, MA 02201

Re: Metropolitan's Loan Commitment to the Neighborhood Housing Trust

Dear Tom:

Enclosed please find a copy of the Resolution which the Senior Officers' Committee approved on Thursday. This afternoon, the Investment Committee of the company's Board of Directors also approved the deal. A notarized copy of the Resolution will follow in a couple of days.

Pursuant to our conversations with you and the Director, and according to the presentations we have made before our committees, we agree to the following terms in addition to those stated in the Resolution:

1. There will be a debt service reserve available to us in the amount of $1,371,454 in case of default by any developer.

2. A litigation reserve of $300,000 will be established by the BRA.

3. The BRA agrees to affirmative enforcement of its rights under the DIP agreements, in favor of Metropolitan.

4. Borrower will pay closing costs.

5. No application, placement or other fees are required of the borrower.

6. Upon closing, Metropolitan or one of its subsidiaries will provide a safe and liquid investment vehicle for the loan proceeds, so that the NHT may reduce its effective borrowing costs as much as possible.

Please do not hesitate to call if you require any further clarification of these terms. We look forward to working with the BRA and NHT toward a successful closing.

Very truly yours,

John F. Loehr

John F. Loehr
Regional Manager

25 July 1989

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INVESTMENT COMMITTEE - JULY 25, 1989

EXPLANATION OF RESOLUTION

BOSTON, MASSACHUSETTS

Description: We are recommending a $7,900,000 loan secured by the payments which developers of commercial projects in Boston are required to make to the Neighborhood Housing Trust as a prerequisite to receiving a building permit. These payments are paid annually over 7 years, or if the project was built prior to 1986, 12 years. We will be assigned the payments from eight projects as well as three letters of credit. The City has been looking for private sector lenders to make loans secured by this stream of payments, thus enabling the City to fund affordable housing projects immediately. Metropolitan, recognizing an opportunity to demonstrate our commitment to our social responsibility, proposed this loan structure. We feel that this investment will result in maximum visibility for Metropolitan. The loan will go directly toward the creation of 699 units of rental housing in the city's most economically depressed neighborhoods. Although we will have no liens on real estate to secure this investment, the payments will be coming from strong developments and developers.

Borrower: The Neighborhood Housing Trust, a non-profit 501(c)(3) trust established by the Boston Development Authority.

INVESTMENT COMMITTEE July 25, 1989

Authorize the Officers to:

Make a loan of up to $7,900,000 at an interest rate of not less than 9.375% per annum for a term of not more than ten years to the Neighborhood Housing Trust, a Massachusetts public charitable trust, such loan to be secured by (a) an assignment of certain agreements requiring the payment of development impact fees pursuant to the Boston Zoning Code, and (b) letters of credit.

Section 1405(a)(8), New York Insurance Law

The Prudential

Robert J. Walsh
Vice President, Real Estate Development

The Prudential Property Company, Inc.
Prudential Center Suite 1600
Boston, MA 02199
617 236-3866

July 20, 1989

Mr. Stephen Coyle, Director
Boston Redevelopment Authority
1 City Hall Square - 9th Floor
Boston, MA 02201

RE: Linkage Loan to Neighborhood Housing Trust

Dear Steve:

On behalf of The Prudential, I am pleased to submit the enclosed Summary of Loan Terms pursuant to which The Prudential Insurance Company of America would make a "Linkage Loan" to the Neighborhood Housing Trust. Prudential is very excited about this opportunity to participate in the provision of affordable housing in the City of Boston. In addition to being a major element of housing public benefits for the Prudential Project, it also constitutes an opportunity for Prudential to demonstrate its social responsibility.

We look forward to working with you to bringing this loan transaction to a closing in the near future. Prudential is very committed to the provision of affordable housing throughout the City of Boston particularly in those areas of Boston which form the residential neighborhoods adjacent to the Prudential Center.

This letter constitutes our letter of intent to proceed with this transaction on the terms set forth in the enclosed summary.

We understand that you plan to present this proposal to the Neighborhood Housing Trust and the BRA Boards at their respective meetings next week. We would ask that you sign a copy of this letter and return it to us to acknowledge your understanding of these terms and conditions.

A Stock Company of The Prudential Insurance Company of America

We congratulate you on your imagination and ingenuity in providing yet another means for provision of affordable housing in the City of Boston.

Very truly yours,

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Robert J. Walsh
Vice President

Accepted and agreed to:**

BOSTON REDEVELOPMENT AUTHORITY

BY: _____
Stephen Coyle
Director

DAR/dc

** I will be presenting to the Neighborhood Housing Trust and the BRA Board both the Prudential Linkage Loan and an analysis of a Reinvestment Plan which demonstrates that the Neighborhood Housing Trust will achieve an effective discount rate of 8.65% on the transaction.

LINKAGE LOAN BY THE PRUDENTIAL INSURANCE COMPANY OF AMERICA TO THE NEIGHBORHOOD HOUSING TRUST

LOAN TERMS

- Loan secured by the direct assignment by the Neighborhood Housing Trust of the linkage payments payable to it from project developers listed on Exhibit A.
    - Amount of loan would equal aggregate amount of linkage payments present-valued over their payment periods at a discount rate of 9 1/4%. The loan proceeds will be funded on or about August 15, 1989 and reinvested on behalf of the Neighborhood Housing Trust by Prudential until needed by Neighborhood Housing Trust to fund CDC housing projects in accordance with schedule on Exhibit B. The intent of this reinvestment plan is to provide Neighborhood Housing Trust with additional funds generated by the reinvestments thereby achieving an effective lower discount rate on the loan to the Neighborhood Housing Trust. All funds generated from the reinvestment shall accrue to the benefit of Neighborhood Housing Trust.
- Linkage payments are also secured by a BRA-financed Reserve Fund deposited with a third party escrow agent (e.g. Bank) in the amount of $460,416 (one year's debt service).
    - The Reserve Fund will accrue interest, and when any one of the development projects has made its final DIP payment, the Reserve Fund will be reduced by an amount equal to the same percentage that the annual DIP payment of that project relates to the total annual DIP payments of all of the development projects.
    - Prudential could draw down upon Reserve Fund in the event of a monetary default by any project developer.
- BRA agrees to defend the constitutionality and legality of the linkage program and prosecute any defaulting project developers.
    - BRA agrees to set aside a $300,000 Defense Fund to secure this obligation.

- BRA will exercise reasonable efforts to obtain the agreement of all of the project developers to the filing of their DIP Agreements or notices thereof in the Registry of Deeds; to the extent not obtained, BRA will use reasonable efforts to file an omnibus notice of all DIP Agreements.

- Neighborhood Housing Trust will fund housing projects to produce low and moderate income housing with proceeds of linkage loan. It is anticipated that Neighborhood Housing Trust will give full consideration to qualified housing projects in the residential neighborhoods adjacent to the Prudential Center.

PRUDENTIAL CENTER REDEVELOPMENT PUBLIC BENEFITS

- The Linkage Loan will be part of Prudential's Housing-Public Benefits package for the redevelopment described in the DPIR. The housing public benefits package consists of: (a) Project linkage obligations with housing creation ($6.6M for Scheme A); (b) Voluntary Housing Contribution ($1.1M for Scheme A); and (c) Linkage Loan.
- Prudential will entertain future additional linkage loan applications for an aggregate loan amount (including present loan) of approximately $6.5 million.

Exhibit A

Overview of Development Impact Project (DIP) Agreements
Oblicated to the Housing Creation Process (SHARP Deals Only) 7/11/89

Development Name	Developer	Term	Payment Date	DIP Exaction	Yearly Payment	Letter of Credit	Payments Made	Payments Remaining
75 State Street	99 State Street Ltd Partnership	12	10/01/88	$3,000,000	$250,000	No	1	11
222 Berkeley Street Eastern Component	500 Boylston West Venture	12	1/15/90	$2,525,000	$210,416	No	0	12
	Total payments			$5,525,000				
	Remaining payments			$5,275,000				
	Aggregate annual payment				$460,416			

XP-4267/p

Exhibit B
Cash Needs Schedule for Linkage Loan

Percentage of Loan Proceeds	Payment Date
15%	September 1, 1989
15%	December 1, 1989
30%	April 1, 1990
40%	June 1, 1990

Payment dates may be modified by BRA.